



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

SB 26-189: AUTOMATED DECISION-MAKING TECHNOLOGY

Prime Sponsors:

Sen. Rodriguez; Coleman
Rep. Duran; Bacon

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Fiscal note status: The revised fiscal note reflects the introduced bill, as amended by the Senate Business, Labor and Technology Committee and the Senate Appropriations Committee.

Summary Information

Overview. The bill repeals and reenacts language in the Colorado Consumer Protection Act pertaining to artificial intelligence.

Types of impacts. The bill is projected to affect the following areas beginning in FY 2026-27:

- State Revenue
- State Expenditures

Appropriations. For FY 2026-27, the bill requires and includes an appropriation of \$46,190 to the Department of Law.

**Table 1
State Fiscal Impacts**

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$56,286	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.4 FTE	0.0 FTE

Fund sources for these impacts are shown in the table below.

**Table 1A
State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$46,190	\$0
Cash Funds	\$0	\$0
Federal Funds	\$0	\$0
Centrally Appropriated	\$10,096	\$0
Total Expenditures	\$56,286	\$0
Total FTE	0.4 FTE	0.0 FTE

Summary of Legislation

This bill repeals and reenacts the standards and requirements for the development and use of artificial intelligence (AI) systems initially created in Senate Bill 24-205.

Automated Decision-Making Technology

Beginning on January 1, 2027, developers and deployers of artificial intelligence systems must provide certain disclosures about “automated decision-making technology” (ADMT), which is technology that uses personal information and computation to predict, classify, rank, score, or otherwise assist in making a decision or determination concerning a person in a covered domain. Covered domains include:

- education enrollment and opportunities;
- employment or employment opportunities;
- real estate transactions;
- financial and lending services;
- insurance and access to benefits;
- health care services; and,
- essential government services and public benefits.

The bill specifies technologies that are not considered ADMT, including certain cybersecurity and web tools, spreadsheets that require human analysis, and tools that communicate with consumers or summarize information meant for future human review.

Developer Disclosures

If the deployer uses the ADMT to influence a consequential decision for a covered domain, developers must provide the following technical documentation:

- ADMT’s intended uses and known harmful uses;
- categories of data used to train the ADMT;

- known limitations, risks, and circumstances in which the ADMT should not be used;
- instructions for the deployer's appropriate use, monitoring, and meaningful human review;
- information reasonably necessary for the deployer to comply with the deployer's consumer notice and disclosure requirements described in the bill; and,
- notice of any changes and modifications to the intended use, limitations and risk of the ADMT.

Both developers and deployers of ADMT must retain records demonstrating compliance with the bill's requirements for at least three years.

Consumer Rights and Deployer Disclosure Requirements

Before deployers use an ADMT to materially influence a consequential decision, they must notify consumers that the decision uses ADMT. If ADMT results in an adverse outcome, as defined by the bill, deployers must provide the following information to the consumer within 30 calendar days:

- a description of the consequential decision and role the ADMT played in the decision;
- instructions for consumers to request additional information about the ADMT; and,
- an explanation of the consumer's right to request personal data and to have meaningful human review of the consequential decision.

For consequential decisions involving access to credit or relating to education, deployers that are subject to consumer notice or disclosure requirements under existing federal law are in compliance with the bill's disclosure requirements. The bill's requirements also do not apply to certain insurers if they are already in compliance with state law regarding regulation of insurance companies.

Enforcement

Violations of the disclosure requirements in the bill are a deceptive trade practice, enforced by the Attorney General through the Colorado Consumer Protection Act.

Prior to initiating an enforcement action, the Attorney General must provide written notice of the alleged violation to a developer or deployer, and allow for 60 days to cure the alleged violation. This right to cure for deployers and developers expires on January 1, 2030. If the developer or deployer cures the alleged violation within the time period, the Attorney General shall not seek civil penalties, but may pursue injunctive relief to prevent future violations. The Attorney General is not required to provide the opportunity to cure if they can demonstrate that the deployer or developer knowingly or repeatedly violated the bill's requirements.

Liability

Developers and deployers may be held liable if they violate the Colorado Anti-Discrimination Act. Developers are not held liable if the deployer used the ADMT in a way that was not intended, advertised, or contracted for by the developer.

Rulemaking

By January 1, 2027, the Attorney General must adopt rules to clarify enforcement of acceptable uses of ADMT, including engaging with deployers and developers. Beginning January 2028, the Attorney General must annually report to the General Assembly enforcement actions against developers and deployers.

The Commissioner of Insurance in the Department of Regulatory Agencies may adopt or update rules related to disclosures and notice from insurers to customers.

Background and Assumptions

Senate Bill 24-205

[Senate Bill 24-205](#) established standards and requirements for developers and deployers of AI systems to protect against algorithmic discrimination. Implementation of the bill was delayed until June 2026 during the special legislative session in August 2025.

The fiscal note for SB 24-205 did not include resources for any state agency because, at that time, the bill was assumed to not apply to any existing state computer systems. Most existing state systems that make critical decisions on program eligibility, benefit calculations, and similar matters are programmed to generate output and results in accordance with legal requirements programmed by humans into a defined algorithm, rather than using generative AI or similar methods. The fiscal note further assumed that state agencies would request additional resources through the budget process, if they made the decision to deploy AI systems regulated by SB 24-205

Since passage of SB 24-205, many consumer and business software products have incorporated generative AI features into their core products. The Office of Information Technology (OIT) has worked to catalog these systems, evaluate their risk, and take steps to ensure compliance with SB 24-205. The fiscal note uses the FY 2026-27 Long Bill as the baseline funding level, under the assumption that it reflects the amount needed to begin implementation of SB 24-205.

Legal Proceedings

On April 27, 2026, the Attorney General was ordered by U.S. District Court to not initiate enforcement of SB 24-205 or any legislation amending SB 24-205 until the Attorney General completes rulemaking for AI enforcement and the court issues a ruling on “X. AI LLC v. Weiser.”

State Revenue

Civil Penalties

Under the Colorado Consumer Protection Act, a person committing a deceptive trade practice may be subject to a civil penalty of up to \$20,000 for each violation. Additional penalties may be imposed for subsequent violations of a court order or injunction. This revenue is classified as a damage award and not subject to TABOR. Given the uncertainty about the number of cases that may be pursued by the Attorney General, as well as the timing and outcome of rulemaking, and the wide range in potential penalty amounts, the fiscal note cannot estimate the potential impact of these civil penalties.

Filing Fees

The bill may increase revenue to the Judicial Department from an increase in civil case filings. Revenue from filing fees is subject to TABOR.

State Expenditures

The bill increases state expenditures by \$56,000 in FY 2026-27 only in the Department of Law. These costs, paid from the General Fund, are summarized in Table 2 and discussed below. The bill also minimally affects workload in the OIT, the Judicial Department, and DORA.

Table 2
State Expenditures
Department of Law

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$46,190	\$0
Centrally Appropriated Costs	\$10,096	\$0
Total Costs	\$56,286	\$0
Total FTE	0.4 FTE	0.0 FTE

Department of Law

The Department of Law is required to complete stakeholder outreach and adopt rules to clarify enforcement to developers and deployers by January 1, 2027. This requires 0.4 FTE Assistant Attorney General in FY 2026-27 only, as this process is expected to be extensive.

After rulemaking is completed and pending court decisions resolved, workload in the Department of Law will minimally increase to the extent that additional deceptive trade practice complaints are filed. The department will review complaints under the bill and prioritize investigations as necessary within the overall number of deceptive trade practice complaints and available resources. Timing of the implementation and enforcement of complaints will depend on court actions.

Minimal workload for reporting requirements can also be accomplished within existing resources.

Office of Information Technology

Staff in the Governor's Office may undertake additional work to ensure that covered domains across state agencies comply with the bill and rules adopted by the Department of Law. As detailed in the Background section above, the fiscal note assumes that the base level of funding for the FY 2026-27 Long Bill is sufficient to implement these new requirements and that any additional resources will be requested through the annual budget process, pending future court decisions and rulemaking from the Department of Law.

Judicial Department

The trial courts in the Judicial Department may have an increase in cases filed under the Colorado Consumer Protection Act from the addition of a new deceptive trade practice. It is assumed that developers and deployers will abide by the law and that any violation of the legislation will result in minimal number of new cases. The fiscal note assumes that this can be accomplished within existing resources and that no change in appropriations is required.

Department of Regulatory Agencies

The bill may minimally increase workload for the Division of Insurance to adopt or update rules related to disclosures by insurers. No change in appropriations is required.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

Effective Date

The sections of the bill pertaining to employer disclosures, consumer rights and enforcement by the Attorney General take effect upon signature of the Governor, or upon becoming law without his signature. All other sections of the bill take effect on January 1, 2027, and apply to consequential decisions made on or after the bill's effective date.

State Appropriations

For FY 2026-27, the bill requires and includes an appropriation of \$46,190 from the General Fund to the Department of Law, and 0.4 FTE.

State and Local Government Contacts

Information Technology	Personnel
Judicial	Public Safety
Law	Regulatory Agencies